WMP FORECASTS
"Tomorrow's Energy Strategies"
957 Florence Lane Menlo Park, California 94025
(650) 327-0756

6/9/09

Honorable Judge Robert Gerber
U.S. Bankruptcy Court for the
Southern District of New York
One Bowling Green
New York, N.Y. 10004
Attn: Chief Clerk's Office

Dear Judge Gerber:

To aid in your determinations during the bankruptcy proceedings of General Motors, WMP Forecasts thought the enclosed might be of interest, as we forecast in 2006 that GM would be in this position at this time.

Two copies of this letter and all the items cited in it, including our background, are enclosed. A third copy of the letter only, with an SASE, is enclosed for your clerk to time-stamp and return to us.

Please feel free to use or quote anything herein without obligation other than proper attribution. If WMP Forecasts may be of specific service, we may be reached at the letterhead address, phone/fax, or (650) 327-6793. Our professional consulting fees are usually pre-paid, which in this instance is waived if your court accepts our fee schedule and orders our fees/expenses paid.

General Motors set out down its path to bankruptcy and extinction in the late 1980s. We have noted in print and speeches that cheap gas prices was the arsenic GM kept taking despite warnings, and high gas prices became its embalming fluid. Being incapable of or unwilling to learn why new economics GM couldn't comprehend were killing it, GM kept doing what failed it--in effect, it committed suicide.

GM by the late 1980s was alienating generations of Americans with shoddily-built, dated-technology car offerings, first against those from Europe and then Japan. Its operating mantra was "people don't buy fuel-efficient cars in an era of cheap gasoline." GM then watched in consternation as Toyota, Honda and Nissan did just that: won most of GM's

profitable-volume sedan market in the U.S. in an era of $ 1.50 and lower gasoline. GM then turned to what it COULD sell in profitable volume: gas-guzzler SUVs and pickups.

At $ 1.50/gallon, no problem; @ $ 2.50, guzzler sales stalled; @ $ 3.00 +, the future for guzzlers evaporated. The owner of one must drive it into the ground (having few options), but WILL NOT--at least in sufficiently profitable volume to "save" GM--replace it with a new guzzler because even if gas prices drop--as they did last fall per our prediction the prior April over a San Francisco TV station--he won't accept the economic hazards of owning the replacement when they rise again to $ 4, $ 6 or $ 10.

But by 2001, GM had become a guzzler peddler, and when that future evaporated, so did GM's. If you check their respective charts, the decline in U.S. market share for GM from 1993-2009 is almost the precise inverse of its corresponding rise in sales dependence on guzzlers. I will list the exhibits enclosed shortly covering print forecasts and correspondence.

It will cost U.S. taxpayers $ 500 BILLION to $ 1 TRILLION--and until 2020--just to put "GM" back in the car business in sufficient volume TO compete with TOyota and Honda. "GM" must produce in volume cars U.S. buyers are willing even to look at BEFORE knowing if they will buy them, so if they do, GM can reduce T & H's U.S. market share. It must build cars that compete not with T & H offerings in 2009, but with T & H offerings in 2020. GM has no idea of what such offerings will be now--but they are predictable.

GM will require $ 500 billion in tooling, etc. funds before 2013 just to be able to offer the first generation of T & H beaters to U.S. buyers. Until then, GM is a ward of U.S. taxpayers @ $ 40 billion or so annually--all of which must be deemed "lost" as soon as invested. One way to offset this--this is the only suggestion we will make on an unpaid basis--is to recall 100% of SUVs, 50% of pickups, and refit them in GM plants with gas-electric (hybrid) platforms. Consumers will then buy them--a Suburban or Tahoe getting 20 mpg is better than one getting 12 mpg--and plants keep open that would otherwise shut; employees earn wages and GM recaptures money spent and sitting unrecoverable on soon-to-be-closed dealer lots. Dealers and parts suppliers stay in business, and GM is less of a tap on U.S. taxpayers' wallets. I estimate the cost of this retrofit @ $ 1-$ 2 billion, but it recoups GM's $ 8 billion 2004-05 investment in now-unwanted SUVs.

GM's ultimate task, and the Obama administration may decide its cost

exceeds any real benefit to America, is this: Toyoto took from 1966-2009 to go from 1% of the U.S. car market to market dominance and #1 status, while GM went from # 1 and 50% of the U.S. car market to (when its plants close as scheduled this summer) zero-1%. It will take until 2020 just to get GM enough car sales--maybe 15% of the 2020 market--to give it the ability TO try to reverse their current positions. This is all up-front "fixed-cost" expenditures, spent before knowing if the risk will ever be repaid.

Now to the enclosures, two copies each:

1) Letters to WMP Forecasts from GM dated April 8 and June 2, 2009. The April letter was GM's reply via surface mail to our April 2 fax to Fritz Henderson, attached. The June letter answered the duplicate copy sent to GM of our April 2 fax. It took GM two months to answer specifically an offer made April 2 to provide a plan to GM within 30 days to enable it to avoid bankruptcy. GM declined our offer, saying it doesn't deal with unsolicted offers or unknown sources, and will not even keep our offer and exhibits in its files.

2) Copies of Oct. 8, 2006 and Nov. 11, 2008 comments in the local CA paper identified, laying out that GM would not be in 2006 form in five years, if alive at all. The 2008 comments predict the level of cost to recreate--or reinvent, as we noted in the April 2 fax--GM. Nothing less will succeed; nothing else is worth the expenditure of taxpayer funds.

3) March 2006 Hemmings Classic Car comments on GM, a preview of the 2006 and 2008 Palo Alto Daily News comments.

4) May 1993 CAR and DRIVER comments on the energy economics behind consumers' buying fuel-sippers in an era of cheap gas. The identical economic impact will be felt over the next couple of decades, as hybrids and new alternative-fuel vehicles depresss per-capita demand on OPEC and duplicates what the example I cited in 1993 achieved.

5) Nov. 10, 2008 fax to Senator Harry Reid, Speaker Nancy Pelosi covering some of the above items and forecasts. Copies were faxed to most of the Michigan Congressional delegation and Governor Granholm--and by mail to President-Elect Obama's office. I enclose the 1986 CEA comments that I anticipate events not seen by conventional wisdom.

To our background:

1) 2005 DOE letter confirming our superior energy prediction accuracy over the prior 25 years, giving our analysis "greater credibility" than its, OPEC's the oil industry's (and certainly the auto industry's) "last 25 years of flawed forecasts." Note the April 17, 1989 piece from the Bremerton SUN paper confirming our 1981 prediction for the White House of how and why Saudi Arabia would lose, as King Fahd confirmed in 1988, 80% of its oil income in the decade of the 1980s.

2) Feb. 16, 1990 piece from the San Mateo Times on our nickname "The Wizard of Menlo Park" as a prophet for forthcoming events and our forecast of the soon-to-be collapse of the Soviet Union's East Europe empire. The S.F. Chronicle Feb. 17, 1990 confirms it.

3) 1991 print pieces from the above paper of forecasts first aired over ABC News Aug. 2, 1990, the day Iraq invaded Kuwait--and confirmation I forecast the collapse of gas prices in 1991 (also on Aug. 2, 1990)

4) New York Times piece Dec. 10, 1990 where we predict a crude price for the decade of the 1990s of $ 15-$ 30; the average was roughly $ 20/bl--but conventional wisdom in the fall of 1990 claimed $ 100 crude and $ 5 gasoline if the U.S. acted militarily to evict Iraq from Kuwait.

5) Jan. 22, 1986 WSJ piece where we forecast the low and volatile gas prices of the future and the decline of crude prices that would last well into the future. All part of a permanent restructuring of energy economics that is now in its second phase: price swings and volatility from 2005-2040 will make those seen from 1981-2005 seem predictable.

WMP Forecasts stands ready and able to design for your court a viable plan for "GM"'s future. Our professional fee is $ 50 million dollars ($ 50,000,000.00) PLUS expenses as determined by us and approved by your court. Expensive, yes--but $ 20 billion of taxpayers' funds have been sunk in GM since December, 2008, with another $ 30 billion to follow--and $ 40 billion per year for a GM as a permanent ward of U.S. taxpayers if another course is taken. It is less costly to learn from the source who outlined both the roots and timing of GM's bankruptcy trip.

Cordially,

Norman P Higby

Norman P. Higby, President

GM

General Motors Corporation
GM Communications
Mail Code 482-C29-B24
P.O. Box 300
300 Renaissance Center
Detroit, MI 48265-3000

June 2, 2009

Mr. Norman P. Higby, President
957 Florence Lane
Menlo Park, CA 94025

Dear Mr. Higby:

Thank you for your letter sent to GM President and CEO Fritz Henderson. As you can imagine, General Motors is receiving a huge volume of correspondence from people interested in our corporation. We appreciate that you took the time to write and offer your ideas. I have been asked to respond, while our senior leadership remains focused on the challenges of the business.

I apologize for the delay in acknowledging the receipt of your letter in April. We attempt to respond to each letter sent to our executive staff, but the massive volume has made this task difficult. Our main focus during these challenging times is to reinvent our company. We announced on June 1, 2009, that we are using a court-supervised process to quickly launch a new, highly competitive company built upon only the strongest parts of our business. The "New GM" will be leaner and stronger and positioned for a profitable, self-sustaining and competitive future. This is a defining moment for our 100-year-old company, and we are doing what it takes to position GM for viability and success for many years to come.

In closing, GM has a policy of not accepting unsolicited advertising ideas. GM relies on its advertising agencies to generate creative executions for vehicle advertising. In order to avoid any misunderstanding as to where an idea originated, GM does not consider any suggestion unless it is developed through our agencies of record. As a result and without making any judgment about its creative merit, we are unable to entertain further discussions about your ideas.

Respectfully, General Motors declines your offer. Regrettably we will not keep your correspondence on file, and have not passed it on to the groups that formulate GM's marketing or advertising strategy. While we are not able to take advantage of your ideas thanks again for your letter.

Sincerely,

Gloria P. Pruett

Gloria P. Pruett, Coordinator
Executive Communications

Reply to Email Paid
Copy of 4/26/09 fax to 815 282-6156

GM

General Motors Corporation
GM Communications
Mail Code 482-C29-B24
P.O. Box 300
300 Renaissance Center
Detroit, MI 48265-3000

April 8, 2009

Mr. Norman P. Higby, president
WMP Forecasts
957 Florence Lane
Menlo Park, CA 94025

Dear Mr. Higby:

Thank you for your letter to GM President and Chief Executive Officer Fritz Henderson. As you can imagine, Mr. Henderson is receiving a huge volume of letters from people interested in our corporation. He appreciates that you took the time to write and offer your services. He has asked me to respond, while his attention remains focused on the challenges of the business.

We appreciate your bringing WMP Forecasts' offer to our attention, but I must tell you that we're in the midst of reinventing the automobile and our company. We are putting the customer first in all that we do, and we are driving a greener future.

Over the next 60 days, we'll work around the clock to meet the aggressive requirements that have been set by the President's Auto Task Force. Together with the Task Force, we'll develop plans to further and more aggressively restructure the company in the areas of sustainable profitability; healthy balance sheet; operational restructuring; and technology leadership. We are fully committed to making this work. We owe that to the GM community, to our customers, and to the U. S. taxpayers, who are providing support during this exceptionally challenging time.

GM employees and leaders are now fully engaged in this process. While we cannot accept WMP's offer at this time, we thank you for your support as we reinvent General Motors for long-term sustainable success.

Sincerely,

Louise Giles

Louise Giles
GM Communications

WMP FORECASTS
"Tomorrow's Energy Strategies"
957 Florence Lane Menlo Park, California 94025
(650) 327-0756

4/2/09

Mr. Frederick "Fritz" Henderson
Interim CEO, General Motors Corporation
Executive Offices, Renaissance Center, Detroit
Via Fax # 815 282-6156

Dear Mr. Henderson: Total pages: 10

This fax is WMP Forecasts' offer to provide General Motors with a viable plan to re-create and re-invent a GM that President Obama's auto task force will accept, and more importantly, fund. As early as July 1987 for Congress and May 1993 in Car and Driver magazine, I laid out the energy economics that would govern the future of the U.S. auto industry. GM never learned them, despite our offers to teach it what it needed to know about what would dictate its future or lack thereof.

GM must provide this plan by no later than June 1; we can provide you with one in 30 days. Our professional fee is $ 5, 000,000.00 (Five Million Dollars): 20% paid up front on acceptance of our offer's terms and the balance due upon receipt of our plan--PLUS all expenses incurred by us.

The U.S. Department of Energy noted June 23, 2005 (attached) that our record for accuracy in energy price prediction is superior to its own, OPEC's and the oil industry's 25 years of failed forecasts, which gives us "greater credibility." The attached bit from the Bremerton, Washington SUN paper April 17, 1989 notes the White House acknowledged in 1981 our forecast of the 80% income fall conceded by Saudi King Fahd in 1988; in 2009, the Saudis continue the errors that almost bankrupted them in the 1990s.

You are correct in saying GM must be re-created; saved, restructured or ressurected are all inadequacies. You must do in 2009 what Billy Durant did Sept. 16, 1908: re-create GM from ground zero from a clean slate. NOTHING from GM's first 100 years can be deemed sacrosanct; ALL may have to "go". As a courtesy, we now outline the financial parameters and time frame "GM 2" will require in its re-creation. We have already, over the last year, provided these rough figures to Presidents Bush and Obama, Economic Adviser Lawrence Summers, Michigan governor Granholm and

the entire Michigan delegation in Washington, and several in the Detroit media, not to mention the Wall Street Journal, Automotive News, etc.

GM 2 needs ten years just to determine whether it can survive, much less earn a profit or repay its start-up capital. The cost, public or private funds, is an initial $ 250 billion by no later than June 30, 2009, and a second $ 250 billion committed and spent by the end of 2012. Quit trying to do this on the cheap, or as a slow-motion drip-feed of U.S. taxpayer money; your task is to re-create GM to the scale required to sell a 15% share of an 8 million/annual U.S. vehicle market, and do so profitably. Billy Durant faced a U.S./world auto industry in 1908 that was well under 80,000 units total for dozens of makers worldwide.

GM 2 must learn not only what energy economics will exist in ten to forty years, but what types of vehicles will best FIT those economics and be sold at a profit. Billy Durant couldn't predict this in 1908; GM, not to mention the auto and all of the oil industry, hasn't done so correctly. We have, and can teach GM 2 how to; this future's parameters will be included in our plan.

Our May 1993 C/D comments are enclosed, as is an updated one from March 2006 in Hemmings Classic Car. Our Oct. 8, 2006 printed forecast that GM would hit bankruptcy AT THIS TIME is attached as is one from the same paper published Nov. 11, 2008 using the above $ estimates provided to Governor Granholm and Congress. One of our letters TO Gov. Granhom from 2008 is attached; we received no reply.

We may be reached at the letterhead address, phone and fax or (650) 327-6793 to discuss our offer. BEFORE GM 2 can even determine which models and brands to keep or eliminate, it must know the future in which its choices will live or die--and disclose this to President Obama's task force by June 1, 2009.

Cordially,

Norman P. Higby
President
NPH/nl
Attachments as cited

FOR YOUR INFORMATION
COURTESY OF NORM HIGBY

10/08/2006

PALO ALTO DAILY NEWS

Atherton | East Palo Alto | Los Altos | Los Altos Hills | Menlo Park | Mountain View | Portola Valley | Stanford | Sunnyvale | Woodside

Why ink deal with GM?

Dear Editor: The city of Menlo Park apparently wants to sign a deal with a corpse if it signs with General Motors. GM will not exist in anything resembling its current form in five years if it exists at all; Menlo Park would be wise to cut a more favorable, similar deal with Toyota.

Low gasoline prices were the arsenic that GM willingly took: the high gas prices since 2005, post-Katrina, of $3-plus are GM's embalming fluid. GM bet its future on cheap gas in the 1980s with investments in the only vehicles it could sell in volume at a profit — gas-guzzler SUVs and pickups — in markets where Toyota Honda, et al. were not eating GM's lunch. GM, like the oil industry, thought people would not buy fuel-efficient Japanese cars in 20 years of $1.50-a-gallon-or-cheaper gas. The energy economics that created this outcome remain beyond GM's comprehension.

Three-dollar-a-gallon gas did more than kill sales of GM's gas-guzzlers; people who now own one can't easily sell them, but have decided never to buy another, because they don't want to own one when gas prices rise again in the future. Who needs a horse-drawn buggy after the Model T has ruined its future? GM spent $8 billion in a new generation of horse-drawn buggies; it has neither the time nor the ability to get the capital to survive a future it didn't see.

Norman P. Higby,
Menlo Park

Listen up, GM

Why would anyone be surprised that General Motors says it will run out of cash by the end of 2008? GM self-created this fate 30 years ago, and its ending up in bankruptcy — or as a permanent ward of U.S. taxpayers — was a forecast I made in this paper Oct. 8, 2006, when Menlo Park was considering a long-term deal with GM for dealerships alongside Highway 101.

I hope my advice to the Menlo Park City Council and mayor not to sign over a deed to that property or risk GM claiming it as an asset in bankruptcy was taken. I forecast the time frame for GM's implosion, so herein is what is required to re-create a GM/Detroit that might survive. President Obama is free to follow this advice, with my compliments. Nothing else is worth the taxpayers' risk.

GM et al need $500 billion promised, and 50 percent of it available by March 2009. GM must halt volume production of any vehicles not earning a profit, and scale back production of those that do to levels not exceeding late 2008 sales. Some $200 billion must go for retooling for new vehicles to recapture markets GM threw away to Honda and Toyota in the 1980s — and a non-negotiable contingency for this $200 billion is that all new GM cars and trucks burn natural gas as well as gasoline, hybrid or non-hybrid.

After the initial $500 billion is spent, a second $500 billion is required: The first buys a re-created GM time to learn how to survive, the second buys it time to try to. Toyota and Honda won't be sitting still, so U.S. taxpayers putting up $1 trillion for companies whose current value $7 billion won't learn if GM et al will succeed, much less repay the $1 trillion, until after 2020.

Norman P. Higb
Menlo Pa

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(650) 327-0756

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WMP FORECASTS
"TOMORROW'S ENERGY STRATEGIES"

NORMAN P. HIGBY
PRESIDENT

957 FLORENCE LANE
MENLO PARK, CA 94025-4901

FOR YOUR INFORMATION
COURTESY OF NORM HIGBY

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WMP FORECASTS
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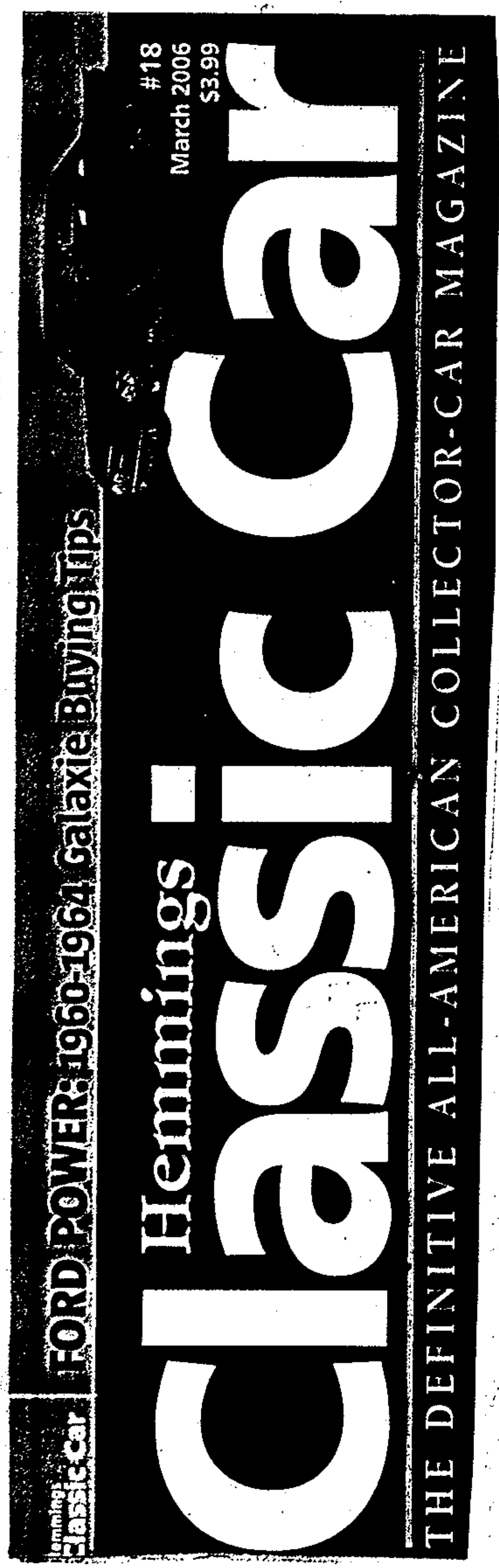

Recaps
Letters from our readers

In HCC #15, John Katz correctly notes the failures and missteps GM made in product proliferation inadequately promoted as a cause of its current woes. But while "legacy" pension and health-care costs may hinder a "Re-Sloaning" of GM—assuming it can dump both onto U.S. taxpayers, whom it wants as customers, but hopes will not notice the involuntary burden-sharing—what will ultimately kill GM is that it bet its future on the automotive equivalent of the Flat Earth Theory. And lost the bet.

GM, as did Ford, the oil industry and OPEC, argued for years that people would never buy fuel-efficient cars in volume with cheap gasoline prices. GM and those who didn't learn from history watched as fuel-efficient Hondas, Toyotas, and Nissans rose from 10 percent of the U.S. car market in 1975 to 45 percent in 2005, during a period—1985-2003—of cheap gasoline!

Having seen their car lunch eaten, GM shifted to the only vehicles it could sell in volume at a profit—SUVs and pick-ups—where Japan was not (then) competing for. With $1/gallon gasoline, no problem; at $2/gallon, GM gas-guzzlers' sales stalled, and at $3/gallon, consumer demand for GM's only profitable vehicles evaporated. Not declined—evaporated! After GM had just bet $8 billion on their next generation.

CEO Rick Wagoner says gasoline-electric hybrids make no economic sense with less-expensive gasoline, because buyers can never recapture the premium prices of hybrids with fuel-cost savings. GM, Ford, OPEC and the oil industry have learned NOTHING in three decades: GM's U.S. market share fell from 55 percent to 25 percent because customers discovered there were real economic benefits attached to the switch to fuel-efficient cars from gas-guzzlers even with $1/gal. gas. Otherwise, they wouldn't have switched.

GM's inability to comprehend wholly new automobile-energy economics created by fuel-efficient cars for their owners at any gasoline price sent GM down a dead-end path. It must now play catch-up by making a $20 billion investment in hybrids as it sheds legacy and healthcare costs.

Does GM have the time to achieve this goal (much less the creditworthiness to borrow the financing necessary to do it)? The late Peter Drucker, the management expert, wrote his best-known book *The Concept of the Corporation* based on what he learned about the General from inside access. A lot of U.S. corporations learned much from that book, but GM, which ignored its conclusions, was not among them.

Norman P. Higby
Menlo Park, California

FOR YOUR INFORMATION
COURTESY OF NORM HIGBY

PORSCHE 911 TURBO 3.6, INFINITI Q45, VETTE ZR-1!
CAR AND DRIVER®
MAY 1993 • CANADA $3.95 UK £1.95 US $2.95

LETTERS

Tales of Geico woe, running dogs bite us, our readers rub it in.

William Jeanes writes that "selling gasoline at giveaway prices has not and never will encourage the public to buy smaller, more efficient cars." From 1980 to 1992, Japan doubled its share of the U.S. car/truck market to 32 percent, even as Roger Smith's GM went from 48 to 31 percent. Did Japan do this by force-feeding Americans gas-hog luxoboats—during a period when we consistently saw gas at the pump under $1 a gallon? Coincidence? Not a chance . . . By 1990, even Smith's tinkertoy Park Avenues had raised mpg by 50 percent. At a time when car prices (and monthly payments) tripled, buyers bought fuel-efficient Japanese technology *because of* $1 gas prices: if you dumped a 16-mpg 1980 Ford for a 32-mpg 1987 Honda, did not alter your driving habits (most of us did not: the vehicle and driver populations doubled/went up by 40 percent), and gas prices remained stable, your cash flow was boosted by a 50-percent fall in out-of-pocket gas costs. When pump prices *fell*, the "savings" approached 80 percent.

Conventional wisdom cannot accept that consumers will buy fuel-efficient cars with low gas prices for economic advantage, as well as buying them to counter rising pump prices. There are new rules of behavior in a new oil world, a world where *all* oil producers simultaneously cannot win sufficient revenues to meet each producer's needs. It is *their* battle to shift gas-pump market share that keeps prices low, a battle for individual economic survival that cannot be achieved on rising prices.

Arguments can be made that prices to consumers should rise; this does not require an increase in the wholesale price of oil to OPEC. The "carbon tax" would raise retail prices while putting downward pressure on wholesale fuel prices: it lowers the value of crude in a market of flat demand and market-dependent suppliers. A carbon tax's economic impact is the unimputed, unassessed, and uncollected "cost" of past, present, and future burning of fossil fuel. When collected at the pump, crude and product values and prices decline as the retail "cost" rises; the difference remains in the U.S. economy, not in the coffers of OPEC. In case you failed to notice, the "giveaway" gasoline includes a two-times boost in taxes since 1982. Eleven cents alone came along after the invasion of Kuwait by Iraq in August 1990, and we still saw under $1 per gallon at the pump by April 1991.

The Clinton administration and other Luddites still define world oil in terms of 1970; Mr. Jeanes and car enthusiasts cannot afford the easy dismissal of inconvenient reality. It is the Luddites who want to destroy our hobby. Why should we contribute to our own deaths?

Norman Higby, President
WMP Forecasts
Menlo Park, California

PHONE/FAX
(650) 327-0756

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WMP FORECASTS
"TOMORROW'S ENERGY STRATEGIES"

NORMAN P. HIGBY
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957 FLORENCE LANE
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11/10/08

Senator Harry M. Reid (NV)
Senate Majority Leader
Via Fax # 202 224-7327
Rep. Nancy Pelosi (CA)
Speaker of the House
Via Fax # 202 225-8259

FOR YOUR INFORMATION
COURTESY OF NORM HIGBY

Dear Sen. Reid and Madame Speaker: Total pages: 4

In your recent letter to President Bush and Hank Paulson, you note that Detroit automakers represent such a significant segment of the economy that they can't be permitted to fail. You both are too late: they already have failed. Your sole concern must now be how to re-create them.

In the enclosed Nov. 8, 2008 letter to a local CA paper, copy to Presient-Elect Obama, I outline the cost and time frame required to re-create Detroit's "Big Three." Attached are the Oct. 8, 2006 letter to the paper in which I predict just the current situation--and the 1993 Car and Driver comments that predict how Detroit created its current self-implosion.

IF you wish to salvage three million jobs, save an "iconic" industry that proved too brain-dead to learn, and prevent the collapse of the U.S. economy in a slow-motion implosion by trying to cure a problem you have incorrectly defined, WMP Forecasts is pleased to offer our services. As we forecast the problem over 20 years ago--Beryl Sprinkel of the CEA in the attached 1986 letter in acknowledgement of our forecasts of the future of the oil and auto industries, conceded we anticipate economic events not foreseen by conventional wisdom--what is now unfolding, we know how to resolve it both in terms of the economics of the future it must exist in and do so without crippling America, ruining millions of jobs/businesses and destroying America. Our fees are expensive, and we require appointment by you for this task; we may be reached per the letterhead address/phone.

Cordially,
Norman P. Higby
President

Norman P Higby

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

September 29, 1986

Norman P. Higby, Jr.
966 Fremont Street #A
Menlo Park, CA 94025

Dear Mr. Higby:

Thank you very much for your letter of September 26 with attached articles. We at the CEA always appreciate input from experts outside of government, especially when, as in your case, they have anticipated economic developments not forseen by the "conventional wisdom."

You can be assured that prospects for the oil industry and the related banking sector are being studied carefully by the Administration. The President's High Level Working Group on Energy Security presently is examining a variety of world oil price and production scenarios, including both low-price and high-price paths. We recognize the difficulties and pitfalls inherent in formulating medium and long-term energy projections. The Working Group intends to draw on all available intellectual resources in developing its forecasts and the associated policy implications. We certainly share your hope that decision-makers, both in government and in the private sector, learn from experience and avoid the temptations of an easy mediocrity.

Again, I appreciate your sharing your insights with us. We always seek to be guided by the best advice and information available.

Sincerely,

Beryl W. Sprinkel

Beryl W. Sprinkel

FOR YOUR INFORMATION
COURTESY OF NORM HIGB

Department of Energy
Washington, DC 20585

June 23, 2005

Norman P. Higby
President, WMP Forecasts
957 Florence Lane
Menlo Park, CA 94025

Dear Mr. Higby:

Thank you for your May 28, 2005, letter to Secretary of Energy Samuel W. Bodman. In your letter, you recapped the last 25 years of flawed world oil price forecasts and offered your services on a prepaid basis to the Department of Energy.

You make a number of interesting points and obviously have a well-informed point of view. Many oil industry experts are speculating on Saudi's investment and oil-pricing strategies and there are several theories, many similar to yours. Your excellent track record in forecasting oil prices gives your point of view added credibility.

Sincerely,

Carmen Difiglio, Ph.D.
Director, Office of Electricity Policy Analysis and
Acting Director, Office of Petroleum and Transportation
Fuels

However, his track record for predicting economic events involving oil is unapproached, even by the oil industry. He's quoted often in The Wall Street Journal, which refers to him as as "energy forecaster." He should not be ignored.

Two of his predictions stand out. In a 1981 letter to former White House staffer Michael Deaver, Higby went against popular opinion by projecting a 75 to 80 percent decline in Saudi Arabian oil revenues in this decade. King Fahd would concede as much seven years later.

Higby also predicted – two years before it happened last June – that Saudi Arabia would buy enough of Texaco Inc.'s East Coast operations to make that OPEC country one of the largest gasoline retailers in the eastern United States.

... would be

Wall Street
Journal 6/17/88

Section D
The Sun Bremerton, Wash.
Monday, April 17, 1989
D1

The Times, San Mateo, California
February 16, 1990
Page 3

FOR YOUR INFORMATION
COURTESY OF NORM HIGB

PEN-TYPES

By Jack Russell
Assistant to the Managing Editor

THE WIZARD OF MENLO PARK — That was the title worn proudly by Thomas Edison of Menlo Park, N.J., back in the glory years of inventions. That title, as far as being a prophet for upcoming events, could by placed now on Norm Higby, the oil consultant and Middle Eastern expert from our county's Menlo Park.

Higby predicted in this column two months ago that the Soviet Union would be pulling nearly all of its troops out of the Eastern European bloc countries. Skeptics laughed, but now it all appears to be coming true.

All Foreign Troops Will Soon Leave Europe, Soviets Predict

S.F. Chronicle 2/17/90

Associated Press

Washington

The Soviet Union agreed to allow the United States to have more troops in Europe because it expects events to make irrelevant within "a year or two" the newly agreed-upon ceilings, Soviet spokesman Gennady Gerasimov said yesterday.

"We want to lower the level of military confrontation in Europe," said Gerasimov, the Foreign Ministry spokesman, in a telephone interview on National Public Radio's Morning Edition.

"We want it to be zero confrontation, and we want foreign troops to be removed from foreign soil everywhere," he said.

Gerasimov said the Soviets did not accept the U.S. argument that the United States needs to have 30,000 more troops in Europe than the Soviets because of the difficulty in moving forces across the Atlantic in the event of a conflict.

But the Kremlin decided to accept President Bush's proposal to clear the way for a Europe-wide treaty on cutting conventional forces, Gerasimov said.

"The political situation in Europe is changing at such a pace that a year or two from now, these figures of 195,000 and 30 additional thousand will become irrelevant," he said. "This is my hope.

"So as not to stop this process with small obstacles, we decided to make this concession to common sense," Gerasimov said. ". . . If you want to keep additional troops, it's your taxpayers' money."

He said he had been reading remarks by French President Francois Mitterrand that alliances can exist only if they have enemies, suggesting that the Warsaw Pact and the North Atlantic Treaty Organization "may fade away."

"Today nobody in his right mind can argue that the Soviets want to attack Western Europe," said Gerasimov. "And I hope that nobody in Western Europe or in your country thinks in terms of attacking Eastern Europe or the Soviet Union."

The Times
San Mateo County's Daily Newspaper
San Mateo, California, Friday, March 8, 1991 · 25¢ per c

THE NORMAN CONQUESTS — Gen. Norman Schwarzkopf is the man of the hour, with his military strategy and his ability to explain it forcefully. The Peninsula has its own Norman, who gained national attention with his astute predictions.

Norman Higby, Menlo Park oil consultant, has been popping up in the Wall Street Journal, the New York Times and on radio and television with his prognostications. He called it near perfectly with his predictions that Iraqi troops would surrender by the thousands and that Saddam Hussein's army was basically a defensive contingent which would crumble at the first offensive thrust.

Higby, a University of Pacific graduate in economics, was in the stocks and bonds business until he began to lose his eyesight in 1970. After a series of operations, he has only about 3 percent vision in one eye and is blind in the other.

Two tips for the future from Higby. One, gasoline prices will be about 90 cents a gallon in two months, and two, the Soviet Union will be torn apart by republics declaring independence.

~~January 11, 1991~~

January 11, ~~1991~~

MASS DEFECTION? — The reported defection this week of four Iraqi pilots and their aircraft turned out to be a case of mistaken identity. But it won't always be that way, says Menlo Park oil consultant Norm Higby.

He predicts mass defections to Saudi Arabia by Iraqi troops if war breaks out next week.

April 19, 1991

ON TARGET III — Some six months ago when the Persian Gulf crisis began, oil experts were moaning about the projected rapid hike of fuel prices. Only Norm Higby of Menlo Park had the knowledge and gumption to predict flatly that gasoline would go for less than 90 cents a gallon by April. Have you checked the pump prices lately? Higby scored on that prediction.

Print Jackets 15' Cir'd 83 Cleared 8/2/90

New York Tim
MONDAY, DECEMBER 10, 1990

Norman P. Higby Jr., an analy: Menlo Park, Calif., laid out a diffe projection. Saudi Arabia, alread partner with Texaco in a joint ture for refining and marketing covers the Eastern United St would expand that effort nation and provide gasoline cheaply, to market share. Others, he said, w have to follow with low product p to stay competitive, lowering value of crude. Prices would be tile, he said, ranging from $15 t high $20's or $30.

FOR YOUR INFORMATION
COURTESY OF NORM HIGBY

THURSDAY

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Locals resigned to gas cost woes

BY JEAN WHITNEY
DAILY NEWS STAFF WRITER

Despite a decision yesterday by world oil producers to cut production by 1 million barrels a day — which could lead to higher prices at gas pumps at home — local drivers and gas station owners seemed resigned to the game of fluctuating prices.

"It's obnoxious, but you get used to it," said Keith Bryley, filling up his black Toyota Corolla in Palo Alto before he hit the road home to Oakland from a retail job at Stanford Mall. He was paying $2.09 - 9/10 a gallon for regular. He said gas was 10 cents a gallon cheaper in Oakland but he needed gas for the commute.

A Stanford University professor of Greek and Latin was filling up the tank on his 1988 station wagon at a Palo Alto Shell on Alma Street and Lytton Avenue.

"It seems so completely arbitrary," said Richard Martin about gas prices. He said he just returned from New Jersey and Boston, where prices per gallon were 50 cents a gallon cheaper — about $1.70 a gallon — than on the Peninsula.

"You pay whatever it is. You try to find the lowest possible price, but you aren't going to drive 20 miles out of your way to get a few cents less," Martin added. Portola Valley Chevron gas station owner George Saba was quick to point out yesterday that views on the price of gas is all about priorities.

"We sell Evian bottled water for about $4 a gallon and no one complains," Saba said. "Milk is $3 a gallon." Saba charged $2.24 - 9/10 a gallon for regular yesterday.

However, Henry Black of Palo Alto Shell said pricing gas at his station is a game he is forced to play, but that car repairs keeps him solvent.

Feeling the pinch

"You cannot survive on gas," Black said yesterday. Black said the cuts in supply by the Organization of Petroleum Exporting Countries would mean he pays more for his 9,100-gallon purchase of gas and higher prices at the pumps.

"I cant' afford to eat it myself," Black said about the increase.

Menlo Park industry forecaster Norm Higby predicts gas prices will reach about $2.30 a gallon up through June and then drop by the end of summer to slightly under $2 a gallon. Higby sees $1.60 a gallon by the end of the year.

He said as prices rises, demand for oil drops off, and then oil companies have supply to unload and prices begin to drop again. Higby believes $2.30 a gallon is the threshold at which consumers say enough.

Higby sees the move by OPEC to cut oil production as a pre-emptive strike by Saudi Arabia to cash in on high prices from an artifically created shortage before Iraq turns into an oil-producing country.

"In 2004, Saudi Arabia continues the pricing and strategic errors that brought them an 80 percent reduction in income in the 1980s," Higby told the Daily News yesterday.

Saba is selling his Ladera shopping center gas station after 12 years. Gas prices rose eight times in February by up to 7.4 cents a gallon. By March, it dropped only four times by one cent a gallon.

"It goes up a lot faster than it goes down," Saba said yesterday. "They raise it faster than we do." Saba said he has to stay competitive with other stations in the area. He said Chevron executives once told him that for every one cent the gas price goes up or down at the pump, it means a $1 million gain or loss for Chevron.

"It's a sad story when the oil companies show record profits every quarter and the dealers lose ground," Saba said

OPEC to slash oil output

THE WALL STREET JOURNAL

WEDNESDAY, JANUARY 22, 1986

confirmed WSJ 5/16/86 p4

Business and Finance

OIL PRICES PLUNGED for the fourth consecutive day, as a full-scale price war appeared to have begun. Stock prices skidded, while oil and bank issues hard hit. Consumers stand to benefit from lower gasoline prices, which one analyst said could fall by up to 20 cents a gallon.

Prices at the Gas Pump Won't Fall Soon But Some See Sharp Declines in Late '8

By THOMAS PETZINGER JR.
Staff Reporter of THE WALL STREET JOURNAL

If lower crude oil prices make you yearn for a gas guzzler, you probably should wait awhile before you buy one.

This week's precipitous oil price drop won't immediately reach consumers at the gasoline pump or anywhere else they buy refined petroleum products. But according to some experts, the weakness reflected in today's spot market oil prices eventually could translate into a windfall for consumers. Saudi Arabia's decision in October to link crude prices with refined product prices in so-called netback deals means that consumers will have more control than ever over the prices at the pump, these experts say.

"You're seeing a permanent restructuring of the entire oil industry pricing system, from the oil exporting nations to the gasoline retailer," says Norman Higby Jr., an independent energy forecaster in Menlo Park, Calif. As a battle for market share breaks out between oil producers, refiners and retailers, he says, gasoline prices could fall by roughly 10 cents to 20 cents a gallon later this year from the more than $1 consumers are now paying. And prices may remain low well into the future, Mr. Higby adds.

"The refiner has broken the back of the pricing system, and he and the consumer are in control," adds Ken Miller of Purvin & Gertz, a Houston consulting-engineering concern. His firm expects gasoline prices to decline by eight cents to 10 cents a gallon.

But it will take awhile. For one thing, refiners haven't yet slashed the prices they pay for crude nearly to spot market levels. "It's all in the spot market right now, so those are all paper barrels," a spokesman for Amoco Corp., Chicago, says of the price decline. Should refiners' posted prices reach $20 a barrel, he added, "it certainly would be reflected in further decreases in gasoline" and other refined product prices. But for the next few weeks Amoco will be refining crude purchased at $26 and $27 a barrel.

Once closely linked, gasoline and crude prices lately have behaved as if they had lives of their own. When spot crude prices fell in early 1981, gasoline prices rose. Gasoline prices shot up in early 1983, while crude prices were stable. For that matter, prices for gasoline and other refined products, such as heating oil, have on occasion taken off in different directions.

Amid the dizzying decline in spot crude prices, Chevron Corp. over the weekend increased its price of distillate by a half-cent a gallon in Birmingham, Ala., for exam... Clearly, the days when a $1-a-ba... change in crude prices moved gas... and heating-oil prices by 2.5 cents a g... are a thing of the past, most industry ex... perts insist.

For much of last year, gasoline pr... remained relatively high because of... cost of replacing lead with environm... tally safer octane enhancers, becaus... some state and local tax increases an... cause of refiners' desire to enhance t... long-depressed profit margins. In re... weeks, refiners have been cutting t... wholesale prices, but this time retaile... gasoline and other products are attem... to pocket most of the savings. For... stance, despite big drops in wholesale h... ing-oil prices in Washington because o... seasonably warm weather, retailers t... have increased prices to the "absol... crazy" level of $1.24 a gallon, accordi... a survey by the Citizen-Labor Energy ... lition.

Newsletter publisher Dan Lundbe... recognized authority on gasoline ... trends, is one expert who doesn't fo... pump prices going into a free ... "They're not going to go ripping ... their prices and putting up lower ... says of gasoline retailers. Dealers ... have survived the long shakeout in ... line marketing are better businessm... adds. "They aren't so subject to psych... ical street corner wars, to rushes to ... ment; they're holding the line."

But fundamental changes in th... markets could dump the dealers ... solve, others say. Barring any totally ... pected developments such as a sudd... newal of cooperation among battling ... dle East exporters, "We don't see any ... in the market today to hold these ... up," says Mr. Miller, the consultan...

Oil-related interests, from the M... East to the service station, also mus... with a decline in U.S. gasoline de... that according to Mr. Higby, the ... easier, will last the rest of the ce...

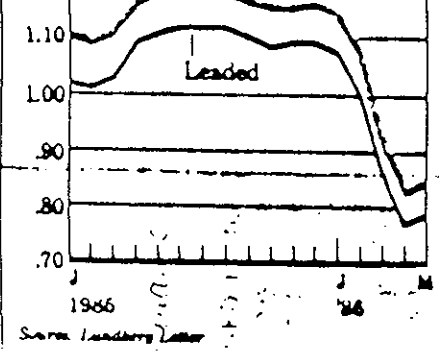
Automobile fuel efficiency contin... improve. Annual gasoline consum... Mr. Higby projects, will decline to ... lion gallons from the current 65 billio... lons, compared with about 120 billio... lons in the early 1980s, he adds.

And as retailers and refiners battle ... a shrinking market, exporters will ... their own markets only through h... crude-price cuts – including, perhaps, ... rebates on earlier sales made in str... markets, Mr. Higby claims. "You ... retroactive rebates going backwar... much as six months," he says.

...ucts such as automobiles and major ap...

Fill 'er Up WSJ 5/16/86

Average retail price of a regular gallon of gasoline at self-service pumps



Source: Lundberg Letter